

CITY OF OKOBOJI

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS**

JUNE 30, 2007

CITY OF OKOBOJI

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CITY OF OKOBOJI

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mary Vander Woude	Mayor	December 31, 2007
Jim Delperdang	Council Member	December 31, 2007
Sharlene Eckard	Council Member	December 31, 2009
Sue Larsen	Council Member	December 31, 2009
Les Marousek	Council Member	December 31, 2007
Jerry Robinson	Council Member	December 31, 2009
Dennis Daly	City Administrator / Clerk	December 31, 2007
Michael Chozen	City Attorney	December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Okoboji
Okoboji, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Okoboji, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, if any, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Okoboji as of June 30, 2007, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund for the primary government of the City of Okoboji, as of June 30, 2007 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 15 through 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Winter, Stone & Co. LLP

October 5, 2007

BASIC FINANCIAL STATEMENTS

CITY OF OKOBOJI
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 273,470		
Public works	240,756	\$ 13,868	\$ 68,342
Culture and recreation	20,341		
Community and economic development	193,782		
General government	356,488		
Debt service	759,187		38,730
Capital projects	<u>236,575</u>		
Total governmental activities	<u>2,080,599</u>	<u>13,868</u>	<u>107,072</u>
Business-type activities:			
Water	<u>286,751</u>	<u>232,942</u>	
Total business-type activities	<u>286,751</u>	<u>232,942</u>	
TOTAL	<u>\$2,367,350</u>	<u>\$246,810</u>	<u>\$107,072</u>
General Receipts:			
Property taxes levied for:			
General purposes			
Tax increment financing collections			
Debt service			
Local option sales tax			
Hotel/motel tax			
Other city tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets - beginning of year			
Cash basis net assets - end of year			
Cash basis net assets			
Restricted:			
Streets			
Urban renewal purpose			
Debt service			
Capital projects			
Unrestricted			
Total cash basis net assets			

Exhibit A

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (273,470)		\$ (273,470)
(158,546)		(158,546)
(20,341)		(20,341)
(193,782)		(193,782)
(356,488)		(356,488)
(720,457)		(720,457)
<u>(236,575)</u>		<u>(236,575)</u>
<u>(1,959,659)</u>		<u>(1,959,659)</u>
	\$ (53,809)	(53,809)
	<u>(53,809)</u>	<u>(53,809)</u>
<u>(1,959,659)</u>	<u>(53,809)</u>	<u>(2,013,468)</u>
479,652		479,652
433,158		433,158
331,264		331,264
170,921		170,921
221,823		221,823
25,677		25,677
11,865	2,730	14,595
1,100,000		1,100,000
108,902	2,593	111,495
<u>3,000</u>	<u>(3,000)</u>	
<u>2,886,262</u>	<u>2,323</u>	<u>2,888,585</u>
926,603	(51,486)	875,117
<u>1,659,254</u>	<u>272,053</u>	<u>1,931,307</u>
<u>\$2,585,857</u>	<u>\$220,567</u>	<u>\$2,806,424</u>
\$ 113,512		\$ 113,512
195,763		195,763
901,472		901,472
1,051,571		1,051,571
<u>323,539</u>	<u>\$220,567</u>	<u>544,106</u>
<u>\$2,585,857</u>	<u>\$220,567</u>	<u>\$2,806,424</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax	\$ 479,652		
Tax increment financing collections			\$433,158
Other city tax	418,421		
Licenses and permits	36,315		
Use of money and property	11,865		
Intergovernmental		\$ 68,342	
Charges for service	13,868		
Miscellaneous	72,312		
TOTAL RECEIPTS	<u>1,032,433</u>	<u>68,342</u>	<u>433,158</u>
DISBURSEMENTS:			
Operating:			
Public safety	273,470		
Public works	172,153	68,603	
Culture and recreation	20,341		
Community and economic development	193,782		
General government	356,488		
Debt service			331,749
Capital projects			
TOTAL DISBURSEMENTS	<u>1,016,234</u>	<u>68,603</u>	<u>331,749</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>16,199</u>	<u>(261)</u>	<u>101,409</u>
OTHER FINANCING SOURCES:			
Operating transfers in	3,000		
Bond proceeds			
TOTAL OTHER FINANCING SOURCES	<u>3,000</u>		
NET CHANGE IN CASH BALANCES	19,199	(261)	101,409
CASH BALANCES - BEGINNING OF YEAR	<u>304,340</u>	<u>113,773</u>	<u>94,354</u>
CASH BALANCES - END OF YEAR	<u>\$ 323,539</u>	<u>\$113,512</u>	<u>\$195,763</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service			
Unreserved:			
General fund	\$ 323,539		
Special revenue funds		\$113,512	\$195,763
Capital projects fund			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 323,539</u>	<u>\$113,512</u>	<u>\$195,763</u>

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 327,912		\$ 807,564
		433,158
3,352		421,773
		36,315
34,230		46,095
		68,342
		13,868
<u>4,500</u>	<u>\$ 275</u>	<u>77,087</u>
<u>369,994</u>	<u>275</u>	<u>1,904,202</u>
		273,470
		240,756
		20,341
		193,782
		356,488
427,438		759,187
	<u>236,575</u>	<u>236,575</u>
<u>427,438</u>	<u>236,575</u>	<u>2,080,599</u>
<u>(57,444)</u>	<u>(236,300)</u>	<u>(176,397)</u>
		3,000
	<u>1,100,000</u>	<u>1,100,000</u>
	<u>1,100,000</u>	<u>1,103,000</u>
(57,444)	863,700	926,603
<u>958,916</u>	<u>187,871</u>	<u>1,659,254</u>
<u>\$ 901,472</u>	<u>\$1,051,571</u>	<u>\$2,585,857</u>
\$ 901,472		\$ 901,472
		323,539
		309,275
	<u>\$1,051,571</u>	<u>1,051,571</u>
<u>\$ 901,472</u>	<u>\$1,051,571</u>	<u>\$2,585,857</u>

See Notes to Financial Statements

CITY OF OKOBOJI
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGE IN CASH BALANCE
 PROPRIETARY FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water</u>
OPERATING RECEIPTS:	
Use of money and property	\$ 2,730
Charges for service	232,942
Miscellaneous	<u>2,593</u>
TOTAL OPERATING RECEIPTS	<u>238,265</u>
OPERATING DISBURSEMENTS:	
Business type activities	<u>286,751</u>
TOTAL OPERATING DISBURSEMENTS	<u>286,751</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(48,486)
OPERATING TRANSFERS OUT	<u>(3,000)</u>
NET CHANGE IN CASH BALANCE	(51,486)
CASH BALANCE - BEGINNING OF YEAR	<u>272,053</u>
CASH BALANCE - END OF YEAR	<u>\$220,567</u>
CASH BASIS FUND BALANCE:	
Unreserved	<u>\$220,567</u>

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1929 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. These financial statements present the primary government of the City of Okoboji but do not include component units or any other organizations, if any, for which it would be financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development, general government and business-type activities functions.

2. DEPOSITS AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

At June 30, 2007, \$893,927 was held in trust on behalf of the City from the proceeds of general obligation refunding notes previously issued. The funds are maintained by the trustee in insured deposit accounts and U.S. Treasury notes.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 520,000	\$ 173,705
2009	545,000	155,832
2010	500,000	135,725
2011	665,000	116,491
2012	345,000	87,756
2013 - 2017	1,170,000	269,372
2018 - 2020	<u>505,000</u>	<u>42,941</u>
Total	<u>\$4,250,000</u>	<u>\$ 981,822</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund unless payable from a special revenue fund as noted below.

Certain general obligation bonds and notes were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds and notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the bonds and notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$27,344, \$26,799, and \$23,044, respectively, equal to the required contributions for each year.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007 is \$13,821, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2007.

6. RISK MANAGEMENT

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$32,406.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS - Continued

6. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and general liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Proprietary: Water	\$ <u>3,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

9. CONSTRUCTION COMMITMENT

At June 30, 2007, the City has entered into contracts for construction projects and vehicle acquisitions totaling approximately \$1,040,000, with no contract payments made. The contracts will be paid as work progresses and vehicles are delivered.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax	\$ 807,564		
Tax increment financing collections	433,158		
Other city tax	421,773		
Licenses and permits	36,315		
Use of money and property	46,095	\$ 2,730	\$ 34,230
Intergovernmental	68,342		
Charges for service	13,868	232,942	
Miscellaneous	77,087	2,593	
TOTAL RECEIPTS	<u>1,904,202</u>	<u>238,265</u>	<u>34,230</u>
DISBURSEMENTS:			
Public safety	273,470		
Public works	240,756		
Culture and recreation	20,341		
Community and economic development	193,782		
General government	356,488		
Debt service	759,187		90,270
Capital projects	236,575		
Business-type activities		286,751	
TOTAL DISBURSEMENTS	<u>2,080,599</u>	<u>286,751</u>	<u>90,270</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(176,397)	(48,486)	(56,040)
OTHER FINANCING SOURCES (USES) - NET	<u>1,103,000</u>	<u>(3,000)</u>	
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES	926,603	(51,486)	(56,040)
CASH BALANCES - BEGINNING OF YEAR	<u>1,659,254</u>	<u>272,053</u>	<u>949,967</u>
CASH BALANCES - END OF YEAR	<u>\$2,585,857</u>	<u>\$ 220,567</u>	<u>\$ 893,927</u>

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 807,564	\$ 811,577	\$ 811,577	\$ (4,013)
433,158	478,000	478,000	(44,842)
421,773	382,289	382,289	39,484
36,315	11,800	45,800	(9,485)
14,595			14,595
68,342	89,161	89,161	(20,819)
246,810	236,700	236,700	10,110
79,680	11,400	11,400	68,280
<u>2,108,237</u>	<u>2,020,927</u>	<u>2,054,927</u>	<u>53,310</u>
273,470	268,156	292,470	19,000
240,756	241,320	252,250	11,494
20,341	21,500	22,000	1,659
193,782	175,004	193,754	(28)
356,488	320,461	340,258	(16,230)
668,917	668,919	668,919	2
236,575	44,316	272,017	35,442
286,751	250,280	283,180	(3,571)
<u>2,277,080</u>	<u>1,989,956</u>	<u>2,324,848</u>	<u>47,768</u>
(168,843)	30,971	(269,921)	101,078
<u>1,100,000</u>		<u>1,100,275</u>	<u>(275)</u>
931,157	30,971	830,354	<u>\$100,803</u>
<u>981,340</u>	<u>1,193,426</u>	<u>1,193,426</u>	
<u>\$1,912,497</u>	<u>\$1,224,397</u>	<u>\$2,023,780</u>	

CITY OF OKOBOJI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$334,882. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development, general government, and business-type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
General Obligation Capital Loan Notes	June 1, 1999	4.25 - 4.50%	<u>\$ 200,000</u>
General Obligation Capital Loan Notes *	August 1, 2000	5.30 - 5.75%	<u>\$1,075,000</u>
General Obligation Bonds	April 1, 2002	3.00 - 4.55%	<u>\$ 850,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
General Obligation Capital Loan Notes	October 1, 2002	1.60 - 3.85%	<u>\$ 350,000</u>
General Obligation Refunding Bonds	May 1, 2004	1.48 - 2.50%	<u>\$ 600,000</u>
General Obligation Bonds (paid from TIF)	October 1, 2005	3.00 - 3.20%	<u>\$ 705,000</u>
General Obligation Refunding Notes	October 1, 2005	3.00 - 4.35%	<u>\$1,045,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
General Obligation Bonds	May 1, 2007	3.65 - 4.00%	<u>\$1,100,000</u>
TOTAL			

* Notes will be paid with proceeds of 2005 General Obligation Refunding Notes being held in escrow.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 60,000		\$ (20,000)	\$ 40,000	\$ 2,640	
920,000		(40,000)	880,000	50,270	
		(50,000)		14,990	
		(30,000)		9,345	
560,000		(80,000)	480,000	24,335	
260,000		(35,000)	225,000	8,820	
260,000		(180,000)	80,000	5,960	
705,000		(190,000)	515,000	36,162	
		(10,000)		9,758	
		(40,000)		26,242	
980,000		(50,000)	930,000	36,000	
	\$1,100,000		1,100,000		
<u>\$3,745,000</u>	<u>\$1,100,000</u>	<u>\$ (595,000)</u>	<u>\$4,250,000</u>	<u>\$164,187</u>	

CITY OF OKOBOJI
BOND AND NOTE MATURITIES
JUNE 30, 2007

Year Ending June 30,	General Obligation Bonds and Notes							
	Capital Loan Notes Issued 6-1-1999		Capital Loan Notes Issued 8-1-2000		Capital Project Bonds Issued 4-1-2002		Capital Loan Notes Issued 10-1-2002	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2008	4.40%	\$ 20,000	5.30%	\$ 45,000	4.25%	\$ 90,000	3.00%	\$ 35,000
2009	4.50	20,000	5.30	50,000	4.30	90,000	3.25	35,000
2010			5.30	65,000	4.35	95,000	3.45	35,000
2011			5.30	255,000	4.45	100,000	3.60	40,000
2012			5.35	40,000	4.55	105,000	3.75	40,000
2013			5.40	45,000			3.85	40,000
2014			5.50	45,000				
2015			5.60	50,000				
2016			5.65	50,000				
2017			5.70	55,000				
2018			5.75	55,000				
2019			5.75	60,000				
2020			5.75	65,000				
TOTALS		<u>\$ 40,000</u>		<u>\$880,000</u>		<u>\$480,000</u>		<u>\$225,000</u>

Refunding Bonds Issued 5-1-2004		Capital Project Bonds Issued 10-1-2005		Refunding Notes Issued 10-1-2005		Capital Project Bonds Issued 5-1-2007		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2.50%	\$ 80,000	3.05%	\$195,000	3.15%	\$ 55,000			\$ 520,000
		3.00	190,000	3.25	60,000	3.65%	\$ 100,000	545,000
		3.20	130,000	3.35	75,000	3.70	100,000	500,000
				3.45	265,000	3.75	5,000	665,000
				3.55	45,000	3.80	115,000	345,000
				3.65	50,000	3.80	120,000	255,000
				3.75	45,000	3.85	125,000	215,000
				3.85	50,000	3.90	125,000	225,000
				3.95	50,000	3.95	130,000	230,000
				4.05	55,000	3.95	135,000	245,000
				4.15	55,000	4.00	145,000	255,000
				4.25	60,000			120,000
				4.35	65,000			130,000
	<u>\$ 80,000</u>		<u>\$515,000</u>		<u>\$930,000</u>		<u>\$1,100,000</u>	<u>\$4,250,000</u>

CITY OF OKOBOJI
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:				
Property tax	\$ 807,564	\$ 778,482	\$ 741,016	\$ 670,899
Tax increment financing collections	433,158	340,613	324,043	260,566
Other city tax.....	421,773	373,107	363,002	358,850
Licenses and permits.....	36,315	7,298	9,928	16,183
Use of money and property	46,095	33,710	6,661	5,552
Intergovernmental.....	68,342	73,261	76,800	76,078
Charges for services.....	13,868	11,954	16,886	
Special assessments.....			1,856	22,266
Miscellaneous.....	<u>77,087</u>	<u>53,910</u>	<u>51,941</u>	<u>60,004</u>
TOTAL	<u>\$1,904,202</u>	<u>\$1,672,335</u>	<u>\$1,592,133</u>	<u>\$1,470,398</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 273,470	\$ 275,750	\$ 253,819	\$ 216,384
Public works	240,756	330,831	443,906	152,108
Culture and recreation.....	20,341	35,711	18,345	17,132
Community and economic development	193,782	142,225	188,613	150,192
General government.....	356,488	321,609	370,559	322,433
Debt service.....	759,187	561,211	435,825	1,327,440
Capital projects.....	<u>236,575</u>	<u>1,308,172</u>	<u>84,713</u>	<u>24,587</u>
TOTAL	<u>\$2,080,599</u>	<u>\$2,975,509</u>	<u>\$1,795,780</u>	<u>\$2,210,276</u>

CITY OF OKOBOJI
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
RECEIPTS:			
Property tax	\$ 479,652		
Total property tax	<u>479,652</u>		
Other city tax:			
Mobile home tax	1,951		
Local option sales tax	170,921		
Hotel/motel tax	221,823		
Utility replacement	5,629		
Cable TV franchise fee	13,097		
Sanitation franchise fee	5,000		
Total other city tax	<u>418,421</u>		
Licenses and permits:			
Beer and liquor	3,631		
Cigarette	300		
Plumbers	420		
Construction	30,717		
Zoning fees	1,247		
Total licenses and permits	<u>36,315</u>		
Use of money and property: interest on investments	<u>4,127</u>		
Charges for services	<u>13,868</u>		
Miscellaneous:			
Court fines	5,657		
Refunds	979		
Miscellaneous	51,481	\$ 13,195	\$ 1,000
Total miscellaneous	<u>58,117</u>	<u>13,195</u>	<u>1,000</u>
 TOTAL RECEIPTS	 <u>1,010,500</u>	 <u>13,195</u>	 <u>1,000</u>

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
<u> </u>	<u> </u>	<u>\$ 479,652</u>
<u> </u>	<u> </u>	<u>479,652</u>
		1,951
		170,931
		221,823
		5,629
		13,097
<u> </u>	<u> </u>	<u>5,000</u>
<u> </u>	<u> </u>	<u>418,421</u>
		3,631
		300
		420
		30,717
<u> </u>	<u> </u>	<u>1,247</u>
<u> </u>	<u> </u>	<u>36,315</u>
<u>\$ 2,081</u>	<u>\$ 5,657</u>	<u>11,865</u>
<u> </u>	<u> </u>	<u>13,868</u>
		5,657
		979
<u> </u>	<u> </u>	<u>65,676</u>
<u> </u>	<u> </u>	<u>72,312</u>
<u>2,081</u>	<u>5,657</u>	<u>1,032,433</u>

CITY OF OKOBOJI
COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
DISBURSEMENTS:			
Public safety:			
Police	\$ 212,510		
Fire	56,387		
Emergency management	2,173		
Animal control	2,400		
Total public safety	<u>273,470</u>		
Public works:			
Roads, bridges and sidewalks	109,309		
Sanitary sewer	10,456		
Street lighting	26,155		
Traffic control	4,752		
Garbage and recycling	21,481		
Total public works	<u>172,153</u>		
Culture and Recreation:			
Library	13,000		
Parks	3,823		
Recreation	3,518		
Total culture and recreation	<u>20,341</u>		
Community and economic development:			
Tourism			
Save the Park fund	10,000		
Lakes Art Center	5,000		
YMCA	12,500		
Planning and zoning	8,163		
Other	30,619		
Total community and economic development	<u>66,282</u>		
General government:			
Administration	77,037		
City hall	14,305		
Legal and professional	63,313	\$ 20,000	
Insurance	40,660		
Payroll taxes	55,661		
Employee insurance	85,512		
Total general government	<u>336,488</u>	<u>20,000</u>	
TOTAL DISBURSEMENTS	<u>868,734</u>	<u>20,000</u>	
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>141,766</u>	<u>(6,805)</u>	<u>\$ 1,000</u>

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
		\$ 212,510
		56,387
		2,173
		<u>2,400</u>
		<u>273,470</u>
		109,309
		10,456
		26,155
		4,752
		<u>21,481</u>
		<u>172,153</u>
		13,000
		3,823
		<u>3,518</u>
		<u>20,341</u>
\$127,500		127,500
		10,000
		5,000
		12,500
		8,163
		<u>30,619</u>
<u>127,500</u>		<u>193,782</u>
		77,037
		14,305
		83,313
		40,660
		55,661
		<u>85,512</u>
		<u>356,488</u>
<u>127,500</u>		<u>1,016,234</u>
<u>(125,419)</u>	<u>\$ 5,657</u>	<u>16,199</u>

CITY OF OKOBOJI
 COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
 GENERAL FUND
 YEAR ENDED JUNE 30, 2007

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfer out	\$ (122,567)	_____	_____
TOTAL OTHER FINANCING SOURCES (USES) - NET	<u>(122,567)</u>	_____	_____
NET CHANGE IN CASH BALANCES	19,199	\$ (6,805)	\$ 1,000
CASH BALANCE - BEGINNING OF YEAR	<u>(31,715)</u>	<u>22,733</u>	<u>2,418</u>
CASH BALANCE - END OF YEAR	<u>\$ (12,516)</u>	<u>\$ 15,928</u>	<u>\$ 3,418</u>

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
\$102,567	\$ 23,000	\$ 125,567
<u> </u>	<u> </u>	<u>(122,567)</u>
<u>102,567</u>	<u>23,000</u>	<u>3,000</u>
(22,852)	28,657	19,199
<u>141,112</u>	<u>169,792</u>	<u>304,340</u>
<u>\$118,260</u>	<u>\$198,449</u>	<u>\$ 323,539</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Okoboji, IA 51355

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents, and have issued our report thereon dated October 5, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Okoboji's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a

misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Okoboji's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Okoboji and other parties to whom the City of Okoboji may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, appearing to read "Winter, Steve H. C. F. H.", written in dark ink.

October 5, 2007

CITY OF OKOBOJI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements

Significant Deficiencies:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

- I-B-07 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development, general government, and business-type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-07 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-H-07 TIF Certification - During our audit, we noted the City did not reduce its outstanding TIF indebtedness by TIF fund cash balances when it certified its TIF indebtedness to the County Auditor on December 1, 2006.

Recommendation - We recommend the City contact the County Auditor to determine the required procedures to correct its TIF certification.

Response - We will contact the County Auditor to determine the method for correcting the certification.

Conclusion - Response accepted.